

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 NEA-11 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

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FM AMCONSUL BELIZE

TO SECSTATE WASHDC 3315

INFO AMEMBASSY KINGSTON

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

AMEMBASSY BRIDGETOWN

AMEMBASSY GUATEMALA

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E.O. 11652: N/A

TAGS: ENRG, PFOR

SUBJECT: FUEL ALLOCATION PROGRAM IN BELIZE AND A POSSIBLE
CENTRAL BANK

1. THE MINISTER OF TRADE AND INDUSTRY, A. A. HUNTER, TOLD ME,
AND OIL COMPANY REPRESENTATIVES HERE HAVE CONFIRMED, THAT THE
GOB WILL CUT FUEL DELIVERIES TO ALL RETAIL OUTLETS TO A LEVEL
20 PERCENT BELOW THE JANUARY 1973 LEVEL. EACH OUTLET WILL
HAVE TO DEVISE A SYSTEM TO ALLOCATE AVAILABLE FUEL TO ITS
CUSTOMERS.

2. THIS DECISION IS TIED NOT TO PRODUCT AVAILABILITY BUT TO
SEVERE BALANCE OF PAYMENTS PROBLEMS. THE GOB NOW ESTIMATES
THAT THE FUEL WHICH COST U.S. DOLS 1.8 MILLION IN 1973 WILL
COST U.S. DOLS 5.4 MILLION IN 1974. FURTHER COMPLICATING THE
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PROBLEM IS THE FACT THAT THE BELIZEAN DOLLAR IS PEGGED TO
STERLING. THUS, AS THE POUND HAS DECLINED DURING THE PAST

SEVERAL WEEKS, SO HAS THE BELIZEAN DOLLAR. PAYMENTS FOR PETROLEUM PRODUCTS, HOWEVER, ARE MADE IN U.S. DOLLARS. THE GOB COVERS ITS ALREADY CHRONIC BALANCE OF PAYMENTS DEFICIT FROM A COMMONWEALTH STERLING POOL. THE FINANCIAL SECRETARY, R. A. FONSECA, TOLD ME JANUARY 18 THAT HE DOES NOT BELIEVE THAT THE U.K. CAN COVER THIS DEFICIT MUCH LONGER. THEREFORE, BELIZE WILL HAVE TO TIGHTEN ITS BELT.

3. IN ADDITION TO CUTTING FUEL AVAILABILITIES AT THE RETAIL LEVEL FONSECA WANTS TO ESTABLISH A CENTRAL BANK IN BELIZE TO STRICTLY CONTROL ALL FOREIGN EXCHANGE TRANSACTIONS. HE SAID HE WANTED TO HAVE A CONCRETE LEGISLATIVE PROPOSAL BEFORE THE HOUSE OF REPRESENTATIVES SOMETIME IN MARCH. ONE OF THE FIRST TASKS HE FORESEES FOR THE BANK WOULD BE A GENERAL TIGHTENING-UP ON THE COUNTRY'S IMPORT BILL. BOTH HE AND HUNTER STRESSED THAT EVERY MEASURE POSSIBLE HAS TO BE TAKEN TO INSURE HARD CURRENCY IS ON HAND TO PAY THE NECESSARY BILLS.

4. COMMENT:

A. EVEN WITH A 20 PERCENT CUT IN FUEL CONSUMPTION, THE FUEL BILL WILL COME TO AT LEAST U.S. DOLLARS 4.3 MILLION, BUT WITH AN ESTIMATED BALANCE OF PAYMENTS DEFICIT OF U.S. DOLLARS 3 MILLION LAST YEAR, IT IS AN ACADEMIC SAVING. THE COUNTRY CANNOT AFFORD IT, ESPECIALLY IF THE U.K. CANNOT CONTINUE TO COVER THE PAYMENTS DEFICIT. THUS, THE QUESTION HERE IS NOT ONE OF ABILITY TO OBTAIN FUEL, BUT RATHER TO PAY FOR IT.

B. AS FOR THE CENTRAL BANK SCHEME, MOST LIKELY IT WILL NOT GET ANY HEARING AT ALL BEFORE THIS YEAR'S GENERAL ELECTIONS. THE ACROSS-THE-BOARD BELT TIGHTENING HUNTER AND FONSECA PROPOSE WOULD DO LITTLE TO ATTRACT VOTES TO THE PUP. FURTHER, A CENTRAL BANK, EVEN THOUGH VERY MUCH NEEDED HERE, WOULD DEPEND ON POLITICAL DETERMINATION AND COMPETENT PEOPLE TO MAKE IT WORK. BELIZE SIMPLY DOES NOT HAVE THE COMPETENT PEOPLE, AND A REASONABLE MAN WOULD WAGER THAT POLITICS AS USUAL WILL REIGN OVER POLITICAL DETERMINATION. THUS, THE GOB
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WILL MOST LIKELY CONTINUE WITH SIMPLE ADMINISTRATIVE EXPEDIENTS TO DEAL WITH THE FUEL PAYMENTS CRISES RATHER THAN FACE THE BROADER, AND POLITICALLY MUCH MORE PAINFUL, TASK OF GENERAL AUSTERITY ALONG WITH THE ESTABLISHMENT OF THE INSTITUTIONAL FRAMEWORK TO DEAL WITH IT. DRISCOLL

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